

Senate Engrossed

**FILED**

**JANICE K. BREWER  
SECRETARY OF STATE**

State of Arizona  
Senate  
Forty-sixth Legislature  
Second Regular Session  
2004

CHAPTER 75

## **SENATE BILL 1137**

AN ACT

AMENDING SECTION 10-3304, ARIZONA REVISED STATUTES; RELATING TO CONDOMINIUMS  
AND PLANNED COMMUNITIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 10-3304, Arizona Revised Statutes, is amended to  
3 read:

4 10-3304. Validity of actions

5 A. Except as provided in subsection B of this section, the validity  
6 of corporate action shall not be challenged on the ground that the  
7 corporation lacks or lacked power to act.

8 B. A corporation's power to act may be challenged either BY ANY OF THE  
9 FOLLOWING:

10 1. In a proceeding by members OF A CORPORATION THAT IS NOT A  
11 CONDOMINIUM ASSOCIATION AS DEFINED IN SECTION 33-1202, OR A PLANNED COMMUNITY  
12 ASSOCIATION AS DEFINED IN SECTION 33-1802, having at least ten per cent or  
13 more of the voting power or by at least fifty members, unless a lesser  
14 percentage or number is provided in the articles of incorporation, against  
15 the corporation to enjoin the act.

16 2. IN A PROCEEDING BY ANY MEMBER OF A CONDOMINIUM OR A PLANNED  
17 COMMUNITY ASSOCIATION AGAINST THE CORPORATION TO ENJOIN THE ACT PURSUANT TO  
18 TITLE 12, CHAPTER 10, ARTICLE 1.

19 ~~2.~~ 3. In a proceeding by the corporation, directly, derivatively or  
20 through any receiver, trustee or other legal representative, against an  
21 incumbent or former director, officer, employee or agent of the corporation.

22 C. In a member's proceeding under subsection B, paragraph 1 of this  
23 section to enjoin an unauthorized corporate act, the court may enjoin or set  
24 aside the act, if equitable and if all affected persons are parties to the  
25 proceeding, and may award damages for loss, other than anticipated profits,  
26 suffered by the corporation or another party because of enjoining the  
27 unauthorized act.

28 ~~D. This section does not apply to:~~

29 ~~1. A proceeding in which a member of a condominium as defined in~~  
30 ~~section 33-1202 challenges the actions of the board of directors of the~~  
31 ~~condominium.~~

32 ~~2. A proceeding in which a member of a planned community as defined~~  
33 ~~in section 33-1802 challenges the actions of the board of directors of the~~  
34 ~~planned community.~~

APPROVED BY THE GOVERNOR APRIL 12, 2004.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 12, 2004.